

DB**DEWEY BALLANTINE**

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DEWEY BALLANTINE

MEMORANDUM

TO: Lakah Holding
Attn: Mr. Ramy Lakah
Mr. Mohamed Khadr

FROM: Camille Abousleiman
Louise Roman Bernstein

DATE: February 17, 2000

RE: Sale of Steel Assets

This memorandum follows up on extensive discussions yesterday with The Bank of New York and its New York counsel. We have prepared drafts of resolutions and certificates required by The Bank of New York pursuant to the terms of the Indenture in connection with the sale by ASF certain of its assets.

There are two provisions of the terms and conditions of the Bonds and the Indenture which appear to be relevant to the transaction:

Section 14(a) of the terms and its equivalent in the Indenture applies to a sale of "all or substantially all of [a Guarantor's] properties or assets". On the basis of information that you have provided to us that Arab Steel will, following the sale, maintain ownership of significant assets and properties in the form of the land, contract rights and other assets consisting of the East Port Said Project and your determination that the assets and properties to be sold do not constitute all or substantially all of Arab Steel's properties or assets, we have prepared a form of an officers' certificate to be executed by two directors of Lakah Holding.

It appears that Section 13, which applies to all disposals of assets by any Guarantor, must be complied with. Section 13 includes certain exceptions, which permit disposals of assets subject to certain conditions without the consent of the Bondholders. In order to take advantage of the relevant exception, Lakah Holding must certify to the trustee that the consideration received upon the sale of assets is at Fair Market Value and consists of at least 75% cash, payable in full at closing. The certification must be accompanied by a resolution of the board of directors of Lakah Holding as to the determination of Fair Market Value. We have enclosed for your convenience a form of such a resolution.

Please note the following:

As you are aware, Dewey Ballantine has represented the managers in the bond issue, and as such, cannot render advice to you regarding the matter at hand. Please consider this letter as representing our informal views, provided to you as a courtesy. However, those views have been discussed with The Bank of New York and its counsel. Although we can make no representation on

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behalf of The Bank of New York, we believe that there is a strong likelihood that it will accept the resolutions and certificates substantially as drafted. In any event, we suggest to provide them with a draft of the documents as soon as possible following your review of them and agreement as to their contents.

In addition, Dewey Ballantine has not worked on the sale of the steel assets and has no knowledge of the actual terms of the sale. Accordingly, please review the attached documents carefully to make sure they conform with the facts as they have occurred and make the amendments which you deem appropriate.

We await to hear from you.

Best regards.